



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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OLYMPIA, March 17, 2005 --- The U.S. economic outlook has improved since our November forecast. Also, we now expect a slightly stronger aerospace expansion than assumed in November. More importantly, the current forecast reflects extremely strong collection experience during the last four months, much of which is due to strong real estate and construction activity. As a result of these factors, the revenue forecast in March represents a substantial \$739.4 million increase excluding non-economic changes.

The March 2004 General Fund-State revenue estimate for the 2003-05 biennium is \$23,230.9 million, which is \$58.2 million more than expected in November. The forecast for the 2005-07 biennium is \$24,885.3 million which is an increase of \$163.5 million over the November estimate. These include the impact of two recent Washington Supreme Court decisions which reduced the current biennium's revenue by \$242.9 million and next biennium's revenue by \$274.8 million. Excluding these non-economic changes, the forecast for the current biennium is \$301.1 million (1.3 percent) higher than expected in November of which collection experience accounts for \$179.4 million. The revenue forecast for the 2005-07 biennium, excluding the non-economic changes, is \$438.3 million (1.8 percent) higher than expected in November.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2003-05 and 2005-07 biennia. The forecast based on more optimistic economic assumptions netted \$122 million (0.5 percent) more revenue in the current biennium and \$1,143 million (4.6 percent) more revenue in the next biennium than did the baseline while the pessimistic alternative was \$122 million (0.5 percent) lower this biennium and \$1,133 million (4.6 percent) lower next biennium. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$8 million (0.0 percent) more revenue this biennium and \$23 million (0.1 percent) more revenue next biennium than did the baseline forecast.

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